

Power Supply Cost Recovery (PSCR)

Presentation to the Senate Energy Policy and Public
Utilities Committee

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Commissioner

Public Service Commission

Rate Structure

- The rate you see on your bill is broken down into two basic components 1.) the base rate established through the traditional rate making process and 2.) the PSCR factor which recognizes the variable nature of costs associated with fuel, purchase power agreements and transmission.
- While each of projected PSCR costs are included within the base rate, 1982 PA 304 was enacted to take into account that the costs are subject to variation.

1982 Public Act 304

MCL 460.6j

- Allows the electric utility to recover certain variable power supply costs through the Power Supply Cost Recovery (PSCR) process.
- To use PSCR process, utility must have PSCR Clause approved by Commission (done for all utilities in 1983).
- Must file annual PSCR Plan and PSCR Reconciliation.
- Act also establishes comparable program for gas utilities
 - Gas Cost Recovery (GCR) process.
- The Act requires the standing committees on energy to review the PSCR process every 5 years.

PSCR Plan

- Must be filed 3 months before beginning of the plan year.
- Detailed description of expected sources of power and costs. Includes fuel costs for utility produced power and costs of purchased power.
- Requests rates (PSCR Factors) for 12 months covered by plan.
- Includes 5-year forecast of demand and power supplies and costs.
- The Commission holds hearings on reasonableness and prudence of plan and will issue an order approving the rate.

PSCR Reconciliation

- Must be filed 3 months after the close of year.
- Reconciles actual revenues with costs under approved PSCR Plan.
- The Commission holds hearings on the reasonableness and prudence of costs and issues a reconciliation order.
- Over-recoveries are returned to the customers with interest (the higher of short-term debt rate or return on common equity) through the next PSCR Plan.
- Under-recoveries are recovered by the utility with interest at short-term debt rate through the next PSCR Plan.

PSCR Applicants

- Detroit Edison Company.
- Consumers Energy Company.
- Seven smaller investor-owned utilities.
- Nine electric cooperatives.

PSCR Annual Process

- There are 18 PSCR Plans filed annually at the end of September.
- 18 PSCR Reconciliations filed at the end of March
- This results in 36 contested case hearings conducted throughout year.
- These 36 contested cases will require the Commission to review and issue orders in each case.

PSCR Intervenorors

- Attorney General. *
- Association of Businesses Advocating Tariff Equity (ABATE).
- Residential Ratepayer Consortium. *
- Michigan Environmental Council/Public Interest Research Group in Michigan. *
- Energy Michigan.
- Cogeneration facilities.
- Industrial and other large customers.

*
Receives funding from the Utility Consumer Representation Fund (MCL 460.6l).

PSCR Cost Breakdown

2006/2007

Category	Detroit Edison	Consumers Energy
Fuel for utility generation	53 %	27 %
Purchased Power	32 %	66 %
Transmission	15 %	7 %

PSCR Significance 2006

Utility	PSCR Costs	Total Revenues	Percentage
Detroit Edison	\$ 1,163 M	\$ 3,961 M	29 %
Consumers Energy	\$ 1,492 M	\$ 3,020 M	49 %
Other IOUs	\$ 132 M	\$ 492 M	27 %
Co-ops	\$ 179 M	\$ 306 M	58 %